

This is an abridged translation of the original Japanese document and is provided for informational purposes only.
If there are any discrepancies between this and the original, the original Japanese document prevails.



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 28, 2022 (Japanese GAAP)

October 5, 2021

Company name: AEON MALL Co., Ltd.

Stock Exchange Listing: TSE

Stock code: 8905

URL <https://www.aeonmall.com/en/ir/index.html>

Representative: Yasutsugu Iwamura, President and CEO

Scheduled date of filing of quarterly report: October 11, 2021

Starting date of dividend payment: October 22, 2021

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

(Amounts in millions of yen rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending February 2022 (March 1, 2021 – August 31, 2021)

(1) Consolidated Operating Results (cumulative)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended August 31, 2021	154,101	22.3	19,684	67.4	16,189	80.2	12,835	—
Six months ended August 31, 2020	126,050	(21.7)	11,760	(59.7)	8,983	(64.3)	(10,865)	—

(Note) Comprehensive income: Six months ended August 31, 2021: ¥28,130 million (-%)

Six months ended August 31, 2020: (¥16,557) million (-%)

	Net income per share	Net income per share (diluted)
	Yen	Yen
Six months ended August 31, 2021	56.40	56.40
Six months ended August 31, 2020	(47.75)	—

(Note) Diluted net income per share for the Six months ended August 31, 2020, is not provided, as the company recorded a net loss per share for shares with dilutive effect.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
August 31, 2021	1,431,508	410,995	28.0
February 28, 2021	1,394,199	387,486	27.1

(Reference) Equity: August 31, 2021: ¥400,989 million

February 28, 2021: ¥377,318 million

2. Dividends

	Annual dividend				
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended February 28, 2021	—	20.00	—	20.00	40.00
Year ending February 28, 2022	—	25.00			
Year ending February 28, 2022 (projection)			—	25.00	50.00

(Note) Revisions to dividend forecast announced recently: None

3. Consolidated Earnings Projections for the Year Ending February 28, 2022 (March 1, 2021 - February 28, 2022)

(Percentages represent year-on-year changes)

	Operating revenue		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	344,000	22.6	59,000	71.5	50,500	77.6	31,000	—	136.23

(Notes) 1. Revisions to earnings forecast announced recently: None

* Notes

(1) Material changes in consolidated subsidiaries during the period (changes in specific subsidiaries resulting in a change in the scope of consolidation): Yes

(2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes of accounting-based estimates, revisions & restatements

[1] Changes in accounting policies due to changes in accounting standards, etc.: None

[2] Changes in accounting policies other than the above: None

[3] Changes in accounting estimates: None

[4] Revisions and restatements: None

(4) Number of shares issued and outstanding (common stock)

[1] Number of shares outstanding at period-end (including treasury stock)	Six months ended August 31, 2021	227,548,939	Year ended February 28, 2021	227,545,839
[2] Treasury stock at period-end	Six months ended August 31, 2021	3,769	Year ended February 28, 2021	3,265
[3] Average number of shares during the period (quarterly cumulative)	Six months ended August 31, 2021	227,543,726	Six months ended August 31, 2020	227,529,209

* The summary of quarterly financial results is exempt from quarterly review procedures.

* Explanations and other special notes concerning the appropriate use of earnings projections

(Cautionary statement regarding forward-looking statements, etc.)

The forward-looking statements, such as earnings projections, included in these materials are based on information currently available to the Company and certain assumptions it deems reasonable. They do not constitute a promise of future performance by the Company. Moreover, actual performance may vary considerably due to a variety of factors. See *1. Qualitative Information on Quarterly Financial Performance (3) Explanation of Consolidated Earnings Projections and Other Projections* on P.12 of the accompanying materials for assumptions used in earnings projections and matters to note when using earnings projections.

(Procedures for obtaining supplementary information on financial results)

The Company is scheduled to hold a briefing for institutional investors and analysts on October 6, 2021. The materials handed out at this briefing will be posted on the Company's website on October 5, 2021, and an audio recording of the briefing will be made available on the Company's website soon after the briefing has ended.

Accompanying Materials — Contents

1. Qualitative Information on Quarterly Financial Performance	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	11
(3) Explanation of Consolidated Earnings Projections and Other Projections	12
2. Quarterly Consolidated Financial Statements and Notes	13
(1) Quarterly Consolidated Balance Sheets	13
(2) Quarterly consolidated Statements of Income and Consolidated Statements of Comprehensive Income	15
Quarterly Consolidated Statements of Income	
For the six months ended August 31, 2020 and August 31, 2021	15
Quarterly Consolidated Statements of Comprehensive Income	
For the six months ended August 31, 2020 and August 31, 2021	16
(3) Quarterly Consolidated Statement of Cash Flows	17
(4) Notes to the Quarterly Consolidated Financial Statements	18
Notes on the going concern assumption	18
Notes on significant changes in shareholders' equity	18
Changes in major consolidated subsidiaries during the period under review	18
Supplementary information	18
Segment and other information	19
Significant subsequent events	20

1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Operating Results

a. Explanation of consolidated results of operations

The Company has defined a long-term vision through the fiscal year ending February 2026 (FY2025) by which we will pursue our management philosophy and achieve further business growth. We are working together with local communities to achieve sustainable growth by creating social, environmental, and economic value.

Our current medium-term management plan (FY2020-FY2022), which we launched in fiscal 2020, outlines four growth policies: (1) Achieve high profit growth overseas; (2) Achieve stable growth in Japan; (3) Pursue a financing mix and strengthen governance structures to support growth; and (4) Pursue ESG-based management.

In pursuing growth initiatives, we have established certain management issues and a vision for our future: (1) Achieve profit growth in overseas businesses and accelerate new mall openings; (2) Maximize the attractiveness of brick-and-mortar malls through customer experience (CX); (3) Build next-generation malls and pursue the urban shopping center business; (4) Pursue digital transformation (DX); and (5) Plan and pursue medium-term strategies, while accelerating reform based on ESG perspectives. Through these efforts, we will continue to provide solutions to regional and social issues, establishing our position through social infrastructure functions to be a central facility for the local community.

Based on the AEON COVID-19 Prevention Protocol, a standard for quarantine measures established by the AEON Group to protect the health and livelihoods of customers and employees, we will continue to establish improved mall environments and operating systems that offer thorough infection prevention measures. We view this as an opportunity to reinvent our business models and create malls that offer new concepts and service functions in the era of the new normal. We will strive to create malls that respond to social change in Japan and overseas.

During the second quarter of the current cumulative consolidated fiscal year, COVID-19 infections remained uncontained, although differences were evident among various countries and regions. Certain of our malls in Japan and overseas were forced to shorten operating hours or close temporarily.

We recorded higher revenue and profit for the six months ended August 31, 2021 compared to the same period in the previous fiscal year. Operating revenue amounted to ¥154,101 million (+22.3% year on year), while operating income amounted to ¥19,684 million (+67.4%), ordinary income amounted to ¥16,189 million (+80.2%), and quarterly net income attributable to owners of parent amounted to ¥12,835 million (compared to net loss of ¥10,865 million in the year-ago period). Operating revenue, operating income, ordinary income, and net income attributable to shareholders of the parent company were -4.3%, -32.6%, -35.6%, and -24.7% compared to the results recorded in the year-ago period, which was not impacted by COVID-19.

Fixed costs for the six months ended August 31, 2021, amounted to ¥2,405 million, stemming from temporary closures and other factors. We posted these costs as extraordinary losses due to COVID-19.

◆ Consolidated Earnings

(Million yen)

	FY2020 Q2	FY2021 Q2	Change [YoY]
Operating revenue	126,050	154,101	+28,050 [+22.3%]
Operating income	11,760	19,684	+7,924 [+67.4%]
Ordinary income	8,983	16,189	+7,206 [+80.2%]
Net income (loss) attributable to owners of parent	(10,865)	12,835	+23,700 [—]

(Reference) Versus six months ended August 31, 2020

(Million yen)

	FY2020 Q2	FY2021 Q2	Change [YoY]
Operating revenue	161,070	154,101	(6,969) [-4.3%]
Operating income	29,212	19,684	(9,527) [-32.6%]
Ordinary income	25,157	16,189	(8,968) [-35.6%]
Net income attribute to owners of parent	17,043	12,835	(4,207) [-24.7%]

b. Explanation of business performance by segment

◆ Earnings by Segment

(Million yen)

	Operating Revenue			Segment Income (Loss)		
	FY2020 Q2	FY2021 Q2	Change [YoY]	FY2020 Q2	FY2021 Q2	Change [YoY]
Japan	107,414	125,771	+18,357 [+17.1%]	11,115	14,886	+3,770 [+33.9%]
China	12,721	20,964	+8,243 [+64.8%]	(491)	4,192	+4,683 [—]
ASEAN	5,914	7,364	+1,450 [+24.5%]	1,123	594	(529) [-47.1%]
Overseas	18,635	28,329	+9,693 [+52.0%]	632	4,786	+4,154 [+657.3%]
Adjustment	—	—	— [—]	12	12	— [+0.0%]
Total	126,050	154,101	+28,050 [+22.3%]	11,760	19,684	+7,924 [+67.4%]

(Reference) Versus six months ended August 31, 2020

(Million yen)

	Operating Revenue			Segment Income		
	FY2020 Q2	FY2021 Q2	Change [YoY]	FY2020 Q2	FY2021 Q2	Change [YoY]
Japan	136,911	125,771	(11,139) [-8.1%]	24,847	14,886	(9,961) [-40.1%]
China	17,801	20,964	+3,162 [+17.8%]	3,006	4,192	+1,185 [+39.4%]
ASEAN	6,357	7,364	+1,006 [+15.8%]	1,346	594	(752) [-55.9%]
Overseas	24,159	28,329	+4,169 [+17.3%]	4,352	4,786	+433 [+10.0%]
Adjustment	—	—	— [—]	12	12	— [+0.0%]
Total	161,070	154,101	(6,969) [-4.3%]	29,212	19,684	(9,527) [-32.6%]

Overseas

The Company recorded higher revenue and profits overseas. Operating revenue amounted to ¥28,329 million (+52.0% year on year). Operating income amounted to ¥4,786 million (+657.3%) Operating revenue and operating income for the six months ended June 30, 2021, were +17.3% and +10.0%, respectively, compared to the results recorded in the year-ago period, which was not impacted by COVID-19 (“year-ago period”).

We continue area-dominant mall openings in China, mainly in the four areas of Beijing/Tianjin/Shandong, Jiangsu/Zhejiang, Hubei and Guangdong. In ASEAN, we continue opening malls in Vietnam, Cambodia, and Indonesia. Strengthening the AEON MALL brand power attracts more customers, which provides the type of brand advantage that lets us attract quality tenants and enter into lease contracts under favorable terms. In addition, AEON MALL leverages operational expertise developed in Japan to drive consumer demand and generate customer traffic through promotional sales and events. The company also offers the same type of cleanliness found in Japanese malls (clean, safe, comfortable environments) and conducts renovations regularly, timed to the changeover of specialty stores.

As part of our future growth strategy, we will accelerate the opening of new malls, aiming to create a 50-mall overseas network by 2025. We will continue to search for and secure new properties in high-growth areas of China and ASEAN toward building a pipeline by the end of 2025 that will support a network of 70 malls.

The accounting period for companies outside Japan is the year ending December 31. Accordingly, figures presented herein for the cumulative consolidated second quarter reflect overseas results for January through June.

(China)

(Six Months Ended June 30, 2021)

The Company recorded higher revenue and profits in China. Operating revenue amounted to ¥20,964 million (+64.8% year on year). Operating income amounted to ¥4,192 million (compared to operating loss of ¥491 million in the year-ago period).

Operating revenue and operating income for the six months ended June 30, 2021, were +17.8% and +39.4%, respectively, compared to the results recorded in the year-ago period.

Although the spread of COVID-19 in Guangdong Province in June had a temporary impact on sales, specialty store sales in the 21 existing malls during the first half of the current fiscal year were +80.4% compared to the year-ago period. Specialty store sales at 19 existing malls (like-for-like) were +9.7% compared to the year-ago period.

Although there have been cases of localized COVID-19 outbreaks in China, infections tend to be contained within a short period of time due to strict government-led containment measures, and the impact on sales at our mall specialty store retailers has been limited. In addition, as restrictions on overseas travel continue and demand for consumption within China is increasing, sales at our mall specialty store retailers are cruising ahead, recovering to the pre-COVID-19 trend of double-digit growth. We will continue to monitor the infection situation in China and push forward with aggressive sales measures.

In May, we opened a new fourth mall in Guangdong Province, AEON MALL Guangzhou Xintang (Guangzhou City, Guangdong Province). AEON MALL Guangzhou Xintang introduced an AEON MALL membership system using WeChat, an app widely used in China. The mall also offers many services using digital technology to improve customer convenience, including an AI information system, face recognition lockers, large LED screen and digital signage.

For existing malls, during the second quarter of the cumulative consolidated fiscal year we conducted a large-scale renovation at two malls in Hubei Province, AEON MALL Wuhan Jingkai (Wuhan City, Hubei Province) and AEON MALL Wuhan Jinqiao (Wuhan City, Hubei Province). We remodeled a total of approximately 140 retail stores between the two malls. We renovated a total of 63 retail stores at three malls in Guangdong Province, which consist of AEON MALL Guangzhou Panyu Square (Guangzhou City, Guangdong Province), AEON MALL Foshan Dali (Foshan City, Guangdong Province), and AEON MALL Guangzhou Jinsha (Guangzhou City, Guangdong Province).

New Overseas Malls Opened During the Six Months Ended June 30, 2021

Country	Name	Location	Opening Date	Tenants	Lease Area
China	AEON MALL Guangzhou Xintang	Guangzhou City, Guangdong	May 29, 2021	220 (Note 2)	76,000m ²

(Notes) 1. The fiscal year of the opening date is the fiscal year used in Japan. The accounting period for companies outside Japan is the year ending December 31.

2. Scheduled to open during FY2021.

(Nine months ending September 30, 2021, and beyond)

In late July, another outbreak of COVID-19 spread throughout China, forcing certain malls to close temporarily. In addition, regulations on cross-province travel and business restrictions on cinema, amusement, and other industries were implemented

under government direction. In August, specialty store sales for the 19 existing malls were down 16.2% from year-ago period. However, due to the impact of containment measures, specialty store sales for the 19 existing malls in September were up 4% from the previous year (on a preliminary basis), indicating an early recovery.

For existing malls, we conducted renovations at AEON MALL Wuhan Jinyintan (Wuhan City, Hubei Province) and AEON MALL Suzhou Yuanqu Hudong (Suzhou City, Jiangsu Province) in July. We also decided to renovate the third floor of AEON MALL Tianjin Zhongbei (Tianjin City), which had been used as a parking lot, to increase floor space for specialty retailers. We are working toward a fall 2022 opening for the space.

Beginning in the current consolidated fiscal year, we have been implementing AEON MALL Hyper-Localization project for existing three malls in China. This is the same hyper-localization that we have pursued in Japan. In July, AEON MALL Yantai Jinshatan (Yantai City, Shandong Province) sponsored a gourmet event in cooperation with local wine-making companies and meat processors. AEON MALL Suzhou Xinqu (Suzhou City, Jiangsu Province) held a badminton tournament in cooperation with the local government, aiming to promote sports and improve the physical fitness of local citizens.

As of August 31, 2021, we operate 22 malls in China. We will continue to evolve our existing malls in both physical and intangible ways through renovations and localization programs. In this way, we will develop specialty stores and facilities that meet the rapidly changing lifestyles of our customers, while at the same time engaging in initiatives that highlight the attractiveness of our local communities.

We aim to create a 29-mall network in China by the end of fiscal 2025. We have decided to open three more malls (tentative names provided): AEON MALL Wuhan Jiangxia (Wuhan City, Hubei Province) in 2023; and AEON MALL Hangzhou Qiantang Xinqu (Hangzhou City, Zhejiang Province) in 2024; and AEON MALL Changsha Chatang (Changsha City, Hunan Province) in 2024. We have identified high-growth inland areas as key areas for opening new malls. In addition to Hubei Province, we are looking to Hunan Province as a new inland area for expansion. We will work to grow the number of malls in both provinces, working from these areas as the core of our businesses inland.

(ASEAN)

(Six Months Ended June 30, 2021)

The company recorded operating revenue in ASEAN of ¥7,364 million (+24.5% year on year). Operating income amounted to ¥594 million (-47.1%). Operating revenue was +15.8% and operating income was -55.9%, respectively, compared to the results recorded in the year-ago quarter. Despite an increase in revenue due to new mall openings, for a second quarter in a row operating income was lower compared to the year-ago quarter, as well as the same quarter two years ago, due to the impact of COVID-19 in Cambodia and Indonesia.

During the six months ended June 30, 2021, specialty store sales for the five existing malls in Vietnam grew 10.1% compared to the year-ago period. However, specialty store sales for the four existing malls were -5.7% compared to the same period two years ago, when the country was not affected by COVID-19. Since May, the number of people infected with COVID-19 has been increasing in Ho Chi Minh City and other southern areas, and the three existing malls around Ho Chi Minh City closed their specialty stores temporarily. Sales trended sharply downward, and the results for the four existing malls for the stand-alone second quarter (three months ended March 31, 2021) were -32.4% compared to the year-ago period.

Consolidated specialty store sales for the six months ended June 30, 2021, at the two existing malls in Cambodia were -35.3% compared to the year-ago period. Compared to the year before last, which was not affected by COVID-19, specialty store sales for the two existing malls (like-for-like) were -52.7%. The March outbreak of COVID-19 in Phnom Penh City has yet to be contained, and the closure of the cinema, amusement, and other industries continued to have a significant impact on our ability to attract customers.

In Indonesia, the number of new COVID-19 infections has been on a downward trend over the first half of the current fiscal year, and restrictions on social activities by the government were eased. Specialty store sales for our existing two malls in May recovered to about 80% of the year-ago period. However, infections spread again in June, and specialty store sales for our existing two malls for the six months ended June 30, 2021, were only about half of the previous year, marking a severely negative trend.

Vietnam is our most important country for new mall openings. Here, we concentrated management resources and secured land for mall construction by working in stronger cooperation with local governments, establishing a cooperative system for mutually beneficial mall development.

After the February and March agreements with Thua Thien Hue and Bac Ninh provinces, we signed a Dong Nai Province Comprehensive Memorandum of Understanding for Investment and Business Promotion Related to Shopping Mall Development with government of Dong Nai Province in May. Dong Nai Province is adjacent to Ho Chi Minh City and is a developing area featuring large-scale transportation development projects, including the construction of a new international airport. Based on this agreement, we will develop shopping malls in a cooperative structure with the government.

We intend to accelerate the opening of area-dominant malls in the central area of the country, in addition to cities in the south (Ho Chi Minh, Binh Duong) and north (Hanoi, Hai Phong) where we already have malls. Moving forward, we aim to secure an even deeper foundation for business in Vietnam, extending into regional cities. In so doing, we intend to contribute to the sustainable development and urban planning of the rapidly growing Vietnamese economy, while expanding our businesses at the same time.

With respect to existing malls, in April, we conducted a large-scale renovation of our first mall in Indonesia, AEON MALL BSD CITY (Tangerang Province). This is the first renovation since we opened the mall in 2015.

(Nine months ending September 30, 2021, and beyond)

In Vietnam, the number of new cases of COVID-19 has increased significantly since July. Strict city closures have been implemented in both northern and southern areas, and our malls have been closed for specialty stores other than GMS. This development has had a significant impact on sales and customer traffic. In Cambodia and Indonesia, the spread of infections has not stopped, and we are operating under shortened business hours or closed malls on a temporary basis. In ASEAN countries, we intend to implement measures to attract customers and achieve a quick recovery in sales while strengthening anti-infection measures that reflect our highest priority on safety and security.

We have also decided to expand and renovate our first mall in Cambodia, AEON MALL Phnom Penh (Phnom Penh City). This will mark the first renovation since we opened the mall in 2014. We are preparing for a 2023 reopening, aiming to evolve the mall into an urban luxury mall. In Cambodia, in addition to the second AEON Mall, AEON MALL Sen Sok City (Phnom Penh City), which features expanded entertainment functions, we plan to open a third mall, AEON MALL Meanchey (Phnom Penh City) in fiscal 2022. We intend to strengthen our area dominance in Phnom Penh by developing MD that takes advantage of the characteristics of each location.

We aim to create a 23-mall network in ASEAN by the end of fiscal 2025. We plan to open AEON Mall Tanjung Barat (southern Jakarta District) in Indonesia during the current consolidated fiscal year.

We planned to open our first mall in Myanmar, AEON MALL Dagon Seikkan (tentative name; Yangong Province) in 2023. However, a coup d'état led by the Myanmar military occurred in February 2021, and the country is under a declared state of emergency. Given the local situation, we brought our expatriate staff back to Japan and suspended business temporarily. We are reviewing the timing of the start of construction, and we are continuing to work with our local partner company, SHWE TAUNG REAL ESTATE CO., LTD. We will issue an announcement as soon as the decision is final.

New Overseas Business Malls Scheduled to Open During the Third Quarter of Fiscal 2021

Country	Name	Location	Opening Date	Tenants	Lease Area
Indonesia	AEON MALL Tanjun Barat	South Jakarta	FY2021	150	42,000m ²

(Notes) 1. The fiscal year of the opening date is the fiscal year used in Japan. The accounting period for companies outside Japan is the year ending December 31.

2. Japan

(Six months ended August 21, 2021)

The company recorded higher revenue and profits in Japan. Operating revenue amounted to ¥125,771 million (+17.1% year on year). Operating income amounted to ¥14,886 million (+33.9%) Operating revenue and operating income for the six months ended August 31, 2021, were -8.1% and -40.1%, respectively, compared to the results recorded in the year-ago period.

Specialty store sales at the 84 existing malls in Japan were +22.1% compared with the year-ago quarter. Compared to the year before last, which was not affected by COVID-19, specialty store sales for the 83 existing malls (like-for-like) were -22.4%.

Japan declared a state of emergency in Tokyo, Osaka, Kyoto, and Hyogo Prefecture on April 25. In response, we temporarily suspended operations for 30 of the total 164 shopping centers owned or managed by the Group in Japan between April 25 and May 11 in the four cities and prefectures affected. Since May 12, the area subject to the declaration of a state of emergency has gradually expanded. Although the declaration was lifted temporarily on June 20 (except for Okinawa Prefecture), infections began to spread once again in July, and the areas subject to the declaration of a state of emergency were extended to as many as 21 prefectures through September 30. The terms of the declaration of the state of emergency related to business restrictions were eased to shortened business hours for mall specialty store retailers and urban shopping centers, as well as suspensions on serving alcohol at certain specialty stores and restaurants in the affected areas. Affected by the decline in consumer confidence due to the increase in infections nationwide, September specialty store sales for the existing 83 malls were down 29.9% (preliminary basis) compared to the year-ago period.

Since the outbreak of COVID-19 during the previous year, we installed AI-based thermometers at building entrances and implemented measures to prevent droplet infections in our sales areas and back rooms, including acrylic panels. We also adopted entry restriction standards based on in-store customer management system data. We continue in our efforts to prevent infection and offer safety and security to our customers, which includes increased internal air circulation in malls through the intake of outside fresh air. In addition, we use a customer counting system to manage the number of customers in our malls. The AEON MALL app notifies customers of the level of congestion within the mall. If congestion levels within the mall are likely to rise significantly above 50%, we open entrances and exits to improve ventilation and limit customer entry in phases. Depending on the situation in the area, we may measure CO₂ levels in food courts or take other ongoing measures to prevent infection.

In April, we launched a joint research project with the Faculty of Science and Engineering, Waseda University, aiming to gain new knowledge for the future construction of next-generation malls. The project consists of academic verification and evaluation of the infectious disease countermeasures we have been implementing. We will focus on building next-generation malls to provide customers with even safer and more secure spaces, looking to implement permanent measures against infectious diseases in the future.

We plan to open four new malls during the current consolidated fiscal year. During the six months ended August 31, 2021, we opened AEON MALL Shinrifu South Wing (Miyagi Prefecture) in March and AEON MALL Kawaguchi (Saitama Prefecture) in June. In July, we opened AEON MALL Hakusan (Ishikawa Prefecture). We plan to expand and renovate two existing malls. During the six months ended August 21, 2021, we transformed AEON MALL Shinrifu North Wing (Miyagi Prefecture) into a facility featuring the latest advancements, holding a grand reopening for the entire complex in July.

As one of the largest entertainment malls in the Tohoku region, AEON MALL Shinrifu South Wing offers the first state-of-the-art interactive amusement facility in Tohoku and one of the largest cinemas in the Tohoku region. The mall also provides a digital technology-based shopping experience that includes communications via the latest 350-inch LED screen, offering new levels of convenience to our customers. We enhanced the one-stop functions of the neighboring AEON MALL Shinrifu North Wing with a mix of specialty stores dealing in daily needs to improve customer convenience. In combination with the AEON MALL Shinrifu South Wing, we will strive to expand our market share as the largest malls in the Tohoku area.

AEON MALL Kawaguchi, which opened in 1984 and closed for business in August 2018, was reopened with a larger facility site under our scrap-and-build policy. The mall was renovated into a state-of-the-art mall that combines both real-world and digital elements to meet the needs of the new normal social environment. In addition to a gourmet zone consisting of 39 stores, one of the largest in the area, we have also introduced a mobile ordering service and food delivery service, available via the AEON MALL app.

AEON MALL Hakusan has created a tree-lined path in the center of the main mall, providing an indoor space in which customers can relax in a lush green environment. AEON MALL Hakusan offers a wide variety of stores, including entertainment, service, and retail stores, centered on the restaurant zone, one of the largest in the Hokuriku area. The zone includes a new *Grand Chef's Kitchen*, where visitors can enjoy dishes produced by Japan's leading chefs from various specialties.

In our Urban Shopping Center Business, we conducted a company split for OPA ("Former OPA") Effective March 1, 2021, with

the newly formed company (“New OPA”) acting as the surviving company. Former OPA was merged with AEON MALL Co., Ltd. in an absorption-type merger.

New OPA will specialize in the management and operations of eight urban facilities, including Canal City OPA (Fukuoka Prefecture) and Takasaki OPA (Gunma Prefecture) mainly located in transportation terminals. The company will strive to resolve the important issue of vacant floor space as quickly as possible through a concentration of management resources. We established a new department responsible for the development of new businesses and business expansion. In this way, we are striving to create new business models through digital transformation, achieve operational efficiencies, and engage in other measures. We continue to improve vacant floor space ratios by attracting larger stores with the ability to attract customers. In October, Kanazawa FORUS (Ishikawa Prefecture) welcomed a new large-scale general merchandise store to better meet lifestyle needs and attract more customers to the facility.

AEON MALL will absorb Former OPA facilities, including Kitaoji VIVRE (Kyoto Prefecture) and Yokohama World Porters (Kanagawa Prefecture), as well as other community facilities and certain urban shopping centers (14 locations in total). Here, we will leverage our leasing capabilities to transform these locations into facilities that meet the daily needs of their local communities. At the same time, we intend to improve profitability and strengthen facilities management functions based on our operational expertise, following up with area business divisions through a sales support system. We continue to make changes by introducing specialty stores that meet the needs of the local community in each location.

Malls Renovated Through the Second Quarter of Fiscal 2021

Name	Location	Date Reopened	Tenants	No. of Renovated Specialty Stores
AEON MALL Okayama	Okayama Prefecture	March 12, 2021	350	36
AEON MALL Kusatsu	Shiga Prefecture	March 19, 2021	200	13
AEON MALL Okazaki	Aichi Prefecture	April 16, 2021	170	30
AEON MALL Kyoto Katsuragawa	Kyoto Prefecture	April 23, 2021	220	29
AEON Lake Town kaze (Note 1)	Saitama Prefecture	April 29, 2021	230	13
		July 15, 2021		3
AEON Lake Town Outlet (Note 1)	Saitama Prefecture	April 29, 2021	120	9
		July 15, 2021		2
AEON MALL Shinrifu North Wing (Note 2)	Miyagi Prefecture	July 2, 2021	80	80

(Notes) 1. Renovations for all three properties, including AEON Lake Town Mori, which AEON MALL manages and operates on consignment for AEON Retail Co., Ltd.

2. This property had been managed and operated on consignment for AEON Retail Co., Ltd.; however, AEON MALL acquired the property on February 28, 2021. In late January 2021, we closed the mall temporarily to conduct major renovations in terms of physical assets and services, after which we reopened the mall.

New Japanese Malls Opened Through the Second Quarter Fiscal 2021

Name	Location	Opening Date	Tenants	Lease Area
AEON MALL Shinrifu South Wing	Miyagi Prefecture	March 5, 2021	170	69,000m ²
AEON MALL Kawaguchi	Saitama Prefecture	June 8, 2021	150	59,000m ²
AEON MALL Hakusan	Ishikawa Prefecture	July 19, 2021	200	74,000m ²

(Nine months ending November 30, 2021, and beyond)

New malls scheduled to open in the cumulative consolidated third quarter and beyond include AEON MALL Nagoya Noritake Garden (Aichi Prefecture) in October. As our first office/retail commercial facility, this location will be a new business format for us, offering an integrated commercial facility, and offices supporting the growth of workers and companies.

New Japanese Business Malls Scheduled to Open Through the Third Quarter of Fiscal 2021

Name	Location	Opening Date	Tenants	Lease Area
AEON MALL Nagoya Noritake Garden	Aichi Prefecture	October 27, 2021	150	(Commercial) 37,000m ² (Office) 22,000m ²

c. Promoting ESG-Oriented Management

AEON MALL is committed to contributing to improved lifestyles and community development through environmental, social, and governance initiatives and by creating unique malls localized to each area in Japan and overseas. To achieve our Vision for 2025, AEON MALL follows an ESG-oriented approach, defining materialities in terms of regional and social infrastructure development, local community ties, the environment, diversity, work-style reform, and responsible business. We are engaged in measures toward ESG-based management, working to raise employee awareness.

Such measures include incorporating matters related to materialities in the personal goals of our employees. The AEON Group pursues sustainable management under the AEON Basic Policy on Sustainability, which is a group-wide policy for the development of a sustainable society. This policy identifies priority issues related to the environment (achieve a decarbonized society, preserve biodiversity, promote resource recycling) and society (create products and stores meeting the expectations of society, engage in fair business practices that respect human rights, collaborate with communities). AEON accomplishes sustainable management by engaging with each of these issues. AEON MALL is also committed to exercising ESG-based management, growing revenues and corporate value for a stronger management foundation and higher levels of development.

Measures to Address Environmental Issues

• Initiatives to achieve a decarbonized society

As a decarbonization initiative based on AEON Decarbonization 2050, we aim to reduce total CO₂ and other emissions in Japan to zero by the year 2040. To date, we have streamlined air conditioning operations, installed high-efficiency energy-saving equipment, installed solar systems on mall roofs, and introduced LED lighting. The goal of these efforts was to reduce energy consumption by 50% in the year 2020 as compared to 2010. We actually achieved a 55.1% reduction in energy consumption (per unit of floor space) compared to 2010. In addition to these measures, we set a new goal of operating all AEON MALL locations in Japan using effectively CO₂-free electricity by the year 2025 by procuring energy from off-site sources and pursuing direct contracts for renewable energy. As the majority of CO₂ emissions arise from the use of electricity, we will reduce our CO₂ emissions in Japan by 80% by the year 2025 compared to 2013. We will also accelerate efforts to achieve a decarbonized society in Japan and overseas by reducing to zero all CO₂ emissions from all AEON MALL business activities.

Opened in June, AEON MALL Kawaguchi is the first large-scale commercial facility in Japan to operate using electricity and gas with zero CO₂ emissions. In addition to energy conservation efforts, the mall procures electricity offering effectively zero CO₂ emissions through the Non-FIT Non-Fossil Certificate Electricity Menu (Note 1) offered by TEPCO Energy Partner, Inc. For city gas, the mall uses Carbon Neutral City Gas (Note 2) supplied by Tokyo Gas Co., Ltd.

• Acquisition of FSC® Project Certification (Overall Certification)

AEON MALL Shinrifu South Wing, which opened in March, became the first commercial facility in Japan to receive FSC® Project Certification (Overall Certification; FSC®P001850) (Note 3). This certification is for the Mokuiku Hiroba Children's Playground located on the third floor, which uses cedar and nara wood that has been certified by FSC as being responsibly procured.

• AEON Sustena Campus

AEON MALL sponsors AEON Sustena Campus at malls nationwide on June 5, Environment Day. Sustena Campus serves as an environmental initiative to learn about environmental issues together with our customers. The campus provides an opportunity to learn about environmental issues together with our customers. To leave a rich global environment to future generations, we have taken the initiative in introducing the latest technologies and reducing the use of plastic products toward achieving a decarbonized society. Together with our customers, we will contribute to creating a sustainable society by thinking and acting together for the Earth and for the future.

Measures to Address Social Issues

• Anti-Infection Initiatives

AEON MALL Hakusan, opened in July, followed AEON MALL Ageo (Saitama Prefecture), opened in December 2020, AEON MALL Shinrifu South Wing, and AEON MALL Kawaguchi to receive the WELL Health-Safety Rating (Note 4), a global

evaluation of measures against COVID-19 infection. In addition to measures to prevent droplet and contact infections within the facility, comprehensive safety measures at each entrance and a cleaning management system within the facility operate for the safety and security of customers and employees. AEON MALL Nagoya Noritake Garden, scheduled for a grand opening in October, is also in line to receive this certification.

- **Support for COVID-19 Vaccinations in Japan and Overseas**

To protect the safety and security of local communities, AEON MALL works with local governments to encourage the use of halls, parking lots, and other facilities in malls as COVID-19 vaccination sites. AEON MALL Hiroshima Fuchu (Hiroshima Prefecture), AEON MALL Kasukabe (Saitama Prefecture), AEON MALL Asahikawa (Hokkaido), and nearly 30 other malls nationwide are being used as sites for COVID-19 vaccinations. By maximizing the use of our malls, we strive to create a safe, secure, and comfortable lifestyle for all community members. Overseas, as well, AEON MALL Binh Duong Canary (Binh Duong Province) in Vietnam is providing a large-scale vaccination site inside the mall for safe and comfortable use. Through its efforts, the mall is facilitating approximately 650 vaccinations per day for the approximately 3,300 people working at factories and commercial facilities in the city. To prevent the spread of infection in local communities, we continue to cooperate in ensuring the safety and security of local residents.

In addition, The AEON Group is supporting workplace COVID-19 vaccinations for group employees throughout Japan to increase vaccination rates in every region. Several malls, including AEON MALL Makuhari Shintoshin (Chiba Prefecture) and AEON MALL Lake Town (Saitama Prefecture) are being used as vaccination centers. In this way, we are striving to create workplace environments in which employees work with confidence by expanding the scope of vaccinations not only among our own employees, but also among employees of our specialty store tenants.

- **Start of Joint Research Into AEON MALL Walking**

Chiba University and AEON MALL plan to conduct joint research on the subject of *AEON MALL Walking and Health*. Aiming to support the healthy lifestyles of local customers, the Company conducts initiatives that include the installation of walking courses and walking events inside malls, as well as the inclusion of a walking feature in the AEON MALL app. The research in question aims to clarify the impact of the AEON MALL Walking initiative on the health of local residents and the community through industry-academia collaboration as an OPERA (Note 5) accepted project.

- **Initiatives for Industry-Academia Collaboration**

As the impact of COVID-19 has limited the opportunities and locations for students to conduct academic and cultural activities, we have been providing our malls as spaces for these activities.

In April, we signed a Memorandum of Understanding on Industry-Academia Collaboration with Sanko Gakuen related to AEON MALL Nagoya Noritake Garden, an office complex and commercial facility scheduled to open in October 2021. We signed this memorandum with the aim of creating a space for students to pursue their interests, polish their skills, and put their daily learning into practice. This space will also provide a stage for students to gain the support of the local community.

AEON MALL Hakusan opened in July of this year. We signed a memorandum of understanding for industry-academia collaboration with Kokusai Business Gakuin, Kinjo University/College, and the Ishikawa Prefecture Susei High School to promote initiatives with area schools as part of the Kagayaki Atsumaru Project. The mall will provide the schools with a place to present their research, and the schools will use the space for research presentations and events, deepening cooperation with each school and contributing to regional development, education, and the improvement of the health of community residents.

The aim of this activity was to promote the use of local foodstuffs whose shipment volume has been reduced due to the impact of COVID-19. We also concluded an agreement in June on industry-academia collaboration between AEON MALL, the International Research Institute of Disaster Science at Tohoku University, and the AEON Environmental Foundation. Aiming to create safe, secure, and resilient communities in the midst of natural disasters, global climate change, and large-scale pandemics, the three parties established the AEON Research Division for the Promotion of Disaster-Resistant Environmental Cities (tentative name) within the Tohoku University international Research Institute of Disaster Science. We plan to hold workshops and other events with the participation of local residents, focusing three main topics: disaster prevention and mitigation, forest design, and measures against infectious diseases. In particular, we are developing a disaster relief facility on the former site of the Tohoku University Amamiya Campus, which we plan to test and implement from expert perspectives for the confident use by community members.

• Fund-Raising Activities in Cambodia

Between December 2020 and March 2021, we distributed masks at our two existing malls in Cambodia. We also conducted fund-raising activities to help those suffering from COVID-19. In addition to donations from customers, AEON Group companies in Cambodia contributed a total of US\$14,000 to the Cambodian government and the Cambodian Red Cross.

• Donations to Support COVID-19 Vaccination in ASEAN Countries

Aiming to mitigate COVID-19 infections, we donated ¥60 million in total to Vietnam, Cambodia and Indonesia for use in connection with COVID-19 vaccinations implemented by the governments of each country, as well as to help counter the epidemic and promote economic recovery. Further, the AEON Group donated a total of ¥350 million (including donations from AEON MALL) to the governments of the ASEAN countries of Malaysia, Vietnam, Indonesia, Thailand, and Cambodia.

- (Notes) 1. The Non-FIT Non-Fossil Certificate Electricity Menu is a service option in which the environmental value procured by TEPCO is sent to the location of customer demand, together with grid electricity. This service can be regarded as effectively CO₂-free electricity.
2. Carbon-neutral city gas: Greenhouse gases generated in the process from mining to the combustion of natural gas are offset with CO₂ credits (carbon offsets). In this way, even when the gas is burned, no CO₂ is considered to be generated on a global scale. Eligible CO₂ credits are those that have been certified by highly reliable verification organizations for the CO₂ reduction effects of environmental conservation projects around the world.
 3. In accordance with the principles of the Forest Stewardship Council® (FSC), an international NGO, this certification recognizes that a building has been constructed using FSC-certified wood from forests that have been properly managed from environmental, social, and economic perspectives, without mixing in other materials, and using correct and traceable procurement methods.
 4. The WELL Health-Safety Rating is a global standard conducted by a third-party verification organization to ensure facilities in the with-COVID-19 era are managed and operated in consideration of health and safety for visitors, employees, and others.
 5. OPERA is an industry-university co-creation platform for joint research sponsored by the Japan Science and Technology Agency (JST). OPERA aims to create innovative technologies that will become the core of fostering new key industries, as well as to serve as a platform for a sustainable research environment, for research systems, and for human resource development to foster new key industries.

(2) Explanation of Financial Position

1) Assets, Liabilities and Net Assets

Assets

Total assets amounted to ¥1,431,508 million, up ¥37,309 million compared to the end of the prior consolidated fiscal year. This result was mainly due to an increase in property, plant and equipment of ¥67,896 million stemming from an increase in new mall development, reactivation of existing malls, and acquisitions of property for future development of ¥78,060 million in excess of ¥31,080 of depreciation and amortization. We also recorded a significant increase in foreign currency translation adjustments. These figures were offset in part by a decrease in cash and deposits of ¥40,241 million.

Liabilities

Total liabilities stood at ¥1,020,513 million, up ¥13,800 million from the end of the prior consolidated fiscal year. This result was mainly due to increases of ¥15,000 million in bonds (including current portion), ¥6,814 million in lease obligations (including lease obligations under current liabilities), ¥6,011 million in accounts payable-other (included in current liabilities-other), ¥5,278 million in lease deposits from lessees, and ¥2,849 million in long-term debt (including current portion). These figures were offset in part by decreases of ¥18,907 million in deposits received from specialty stores, ¥3,652 million in income taxes payable, and ¥1,595 million in consumption taxes payable (included in current liabilities-other).

Net assets

Net assets totaled ¥410,995 million, up ¥23,508 million compared to the end of the prior consolidated fiscal year. This result was mainly due to the recording of ¥12,835 million in quarterly net income attributable to owners of parent, an increase in retained earnings of ¥8,284 million, and an increase in foreign currency translation adjustment of ¥15,295 million.

2) Cash Flows

Cash and cash equivalents (“Cash”) as of the end of cumulative consolidated second quarter amounted to ¥78,683 million, down ¥45,397 million from the end of the prior consolidated fiscal year.

The following text describes cash flows for the period under review:

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥17,647 million, compared to net cash used of ¥12,301 million for the same period in the prior fiscal year. This result was mainly due to income before income taxes and other adjustments of ¥13,803 million (net loss before income taxes and other adjustments of ¥11,603 million in the year-ago period) and depreciation and amortization of ¥31,080 million (¥28,959 million in the year-ago period). These amounts were offset in part by a decrease in deposits received from specialty stores of ¥19,229 million (¥19,324 million in the year-ago period) and a decrease in income taxes paid of ¥7,320 million (¥10,859 million in the year-ago period).

Cash flows from investing activities

Net cash used in investing activities amounted to ¥74,006 million, compared to ¥34,414 million for the same period in the prior fiscal year. This result was mainly due to purchases of property, plant and equipment in the amount of ¥69,747 million (¥32,369 million in the year-ago period) for equipment at malls expanded and revitalized in the prior consolidated fiscal year (AEON MALL Kochi) and malls newly opened in the prior consolidated fiscal year (AEON MALL Ageo), as well as for purchases of property, plant and equipment related to AEON MALL Sentul City (West Java, Indonesia) during the cumulative consolidated second quarter for land for development.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥4,891 million, compared to net cash provided of ¥8,534 million for the same period in the prior fiscal year. This result was mainly due to proceeds from the issuance of bonds in the amount of ¥30,000 million (¥30,000 in the year-ago period) and proceeds from long-term debt of ¥19,212 million (¥8,000 million in the year-ago period). During the same period, the company made cash outlays for redemptions of bonds of ¥15,000 million (¥15,000 in the year-ago period), repayment of long-term debt in the amount of ¥17,141 million (¥4,330 million in the year-ago period), ¥7,345 million in repayment of lease obligations (¥5,356 million in the year-ago period), and ¥4,550 million in dividend payments (¥4,550 million in the year-ago period).

(3) Explanation of Consolidated Earnings Projections and Other Projections

We have made no changes to the full-year consolidated earnings projections as announced April 8, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of February 28, 2021	As of August 31, 2021
Assets		
Current assets		
Cash and deposits	131,442	91,201
Notes and accounts receivable–trade	7,661	8,660
Other	40,456	44,438
Allowance for doubtful receivables	(133)	(172)
Total current assets	179,427	144,127
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	624,036	643,213
Land	310,198	339,184
Right-of-use assets (net)	134,872	139,352
Other	30,977	46,231
Total property, plant and equipment	1,100,085	1,167,981
Intangible assets	3,350	3,318
Investments and other assets		
Lease deposits paid	50,926	50,986
Other	60,439	65,112
Allowance for doubtful receivables	(29)	(18)
Total investments and other assets	111,336	116,080
Total fixed assets	1,214,771	1,287,381
Total assets	1,394,199	1,431,508

(Million yen)

	As of February 28, 2021	As of August 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable–trade	8,606	11,345
Bonds due within one year	30,000	25,000
Current portion of long-term debt	33,629	42,404
Lease obligations	14,955	16,924
Income taxes payable	7,024	3,371
Deposits received from specialty stores	60,223	41,315
Allowance for employee bonus	1,703	899
Allowance for director and corporate auditor performance-based remuneration	85	31
Provision for loss on store closing	733	733
Other	56,977	61,031
Total current liabilities	213,938	203,056
Long-term liabilities		
Straight bonds	330,000	350,000
Long-term debt	188,794	182,870
Lease obligations	112,279	117,124
Accrued retirement benefits to employees	837	732
Asset retirement obligations	18,679	19,087
Lease deposits from lessees	137,778	143,057
Other	4,404	4,585
Total long-term liabilities	792,774	817,457
Total liabilities	1,006,712	1,020,513
Net assets		
Shareholders' equity		
Common stock	42,372	42,374
Capital surplus	40,691	40,693
Retained earnings	307,790	316,075
Treasury stock, at cost	(6)	(6)
Total shareholders' equity	390,848	399,135
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	1,029	1,054
Foreign currency translation adjustment	(13,868)	1,426
Remeasurements of defined benefit plans	(690)	(627)
Total accumulated other comprehensive income	(13,529)	1,853
Stock acquisition rights	23	33
Non-controlling interests	10,143	9,972
Total net assets	387,486	410,995
Total liabilities and net assets	1,394,199	1,431,508

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the six months ended August 31)

(Million yen)

	FY2020 Q2 March 1 - August 31, 2020	FY2021 Q2 March 1 - August 31, 2021
Operating revenue	126,050	154,101
Operating costs	100,964	120,234
Gross profit	25,086	33,866
Selling, general and administrative expenses	13,325	14,181
Operating income	11,760	19,684
Non-operating profits		
Interest income	607	673
Compensation paid by departing tenants	838	893
Foreign exchange gains	377	—
Gain on valuation of derivatives	—	720
Compensation income	304	538
Other	235	237
Total non-operating profits	2,363	3,063
Non-operating expenses		
Interest expenses	4,728	5,380
Foreign exchange losses	—	751
Loss on valuation of derivatives	11	—
Other	400	427
Total non-operating expenses	5,140	6,558
Ordinary income	8,983	16,189
Extraordinary gains		
Gain on sale of fixed assets	1	1
Gain on sale of investment securities	5	—
Compensation income	83	848
Total extraordinary gains	90	849
Extraordinary losses		
Loss on sale of fixed assets	0	—
Loss on retirement of fixed assets	238	531
Impairment loss	3,545	78
Loss due to COVID-19	16,475	2,405
Other	444	220
Total extraordinary losses	20,704	3,236
Income (loss) before income taxes	(11,630)	13,803
Income tax – current	597	3,809
Income tax – deferred	(1,192)	(2,838)
Total income taxes	(595)	970
Net income (loss)	(11,034)	12,832
Net loss attribute to non-controlling interests	(168)	(2)
Net income (loss) attributable to owners of parent	(10,865)	12,835

(Quarterly Consolidated Statements of Comprehensive Income)
(For the six months ended August 31)

(Million yen)

	FY2020 Q2 March 1 - August 31, 2020	FY2021 Q2 March 1 - August 31, 2021
Net income (loss)	(11,034)	12,832
Other comprehensive income		
Net unrealized gain on available-for-sale securities	68	25
Foreign currency translation adjustment	(5,645)	15,209
Remeasurements of defined benefit plans	54	62
Total other comprehensive income	(5,523)	15,297
Comprehensive income	(16,557)	28,130
Comprehensive income (loss) attributable to:		
Owners of parent	(15,752)	28,218
Non-controlling interests	(805)	(87)

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	FY2020 Q2 March 1 - August 31, 2020	FY2021 Q2 March 1 - August 31, 2021
Cash flows from operating activities		
Income (loss) before income taxes	(11,630)	13,803
Depreciation and amortization	28,959	31,080
Impairment loss	3,545	78
Interest and dividend income	(626)	(686)
Interest expenses	4,728	5,380
Decrease (increase) in receivables–trade accounts	(69)	(383)
Increase (decrease) in payables–trade accounts	1,938	2,572
Increase (decrease) in deposits received from specialty stores	(19,324)	(19,229)
Other	(4,887)	(2,977)
Subtotal	2,634	29,639
Interest and dividends received	633	690
Interest paid	(4,708)	(5,361)
Income taxes paid	(10,859)	(7,320)
Net cash provided by (used in) operating activities	(12,301)	17,647
Cash flows from investing activities		
Purchase of property, plant and equipment	(32,369)	(69,747)
Proceeds from sales of property, plant and equipment	5	1
Payment of lease deposits to lessors	(1,380)	(1,985)
Reimbursement of lease deposits to lessors	155	957
Repayment of lease deposits from lessees	(4,050)	(4,590)
Proceeds from lease deposits from lessees	3,797	9,037
Other payments	(2,976)	(8,726)
Other proceeds	2,404	1,045
Net cash provided by (used in) investing activities	(34,414)	(74,006)
Cash flows from financing activities		
Repayment of lease obligations	(5,356)	(7,345)
Proceeds from long-term debt	8,000	19,212
Repayment of long-term debt	(4,330)	(17,141)
Proceeds from issuance of bonds	30,000	30,000
Redemption of bonds	(15,000)	(15,000)
Purchase of treasury stock	(0)	(0)
Dividends paid	(4,550)	(4,550)
Dividends paid to non-controlling interests	(66)	(83)
Other	(162)	(196)
Net cash provided by (used in) financing activities	8,534	4,891
Foreign currency translation adjustments on cash and cash equivalents	(1,805)	6,069
Net increase (decrease) in cash and cash equivalents	(39,986)	(45,397)
Cash and cash equivalents at beginning of the period	114,368	124,080
Cash and cash equivalents at end of the period	74,382	78,683

(4) Notes to the Quarterly Consolidated Financial Statements

Notes on the going concern assumption

Not applicable.

Notes on significant changes in shareholders' equity

Not applicable.

Changes in major consolidated subsidiaries during the period under review

At meetings held December 1, 2020, the board of directors of AEON MALL Co., Ltd. and wholly owned subsidiary OPA Co., Ltd. as then constituted ("OPA") resolved to split off (via incorporation-type company split) a wholly owned subsidiary ("New OPA") to be established by OPA, with New OPA becoming the successor company. The boards also resolved to merge with the split company (OPA) in an absorption-type merger, subject to a condition precedent that the company split in question take effect. The transaction in question was executed on March 1, 2021. As a result of this reorganization, Former OPA has been excluded from the scope of consolidation.

Although not considered a change in a specified subsidiary, New OPA and Changsha Mall Investment Limited were newly established during the first quarter of the current consolidated fiscal year. We also established CHANGSHA MALL REAL ESTATE DEVELOPMENT CO., LTD. and HANGZHOU HANGDONG MALL REAL ESTATE DEVELOPMENT CO.,LTD. During the second quarter of the current consolidated fiscal year, adding these entities to the scope of consolidation.

Supplementary information

Accounting estimates related to the impact of COVID-19

COVID-19 infections remained uncontained, although differences were evident among various countries and regions. Certain AEON MALL Group-operated malls were forced to shorten operating hours or close temporarily. At the same time, COVID-19 vaccinations are advancing in Japan and many other countries, and the AEON MALL Group is striving to maintain anti-infection systems at the malls we operate. Accordingly, we have assumed in our accounting estimates for impairment of fixed assets, etc., that operating revenue for the fiscal year ending February 2022 will recover to the same level as the fiscal year ended February 2020. Although we continue mall operations in Indonesia, we have assumed that ongoing emergency restrictions on activities will have a negative impact on operating revenue through 2022.

Segment and other information

Segment information

I. Six Months Ended August 31, 2020

1. Information on operating revenue and profit (loss) of each reporting segment

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue from external customers	107,414	12,721	5,914	126,050	—	126,050
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	107,414	12,721	5,914	126,050	—	126,050
Segment profit (loss)	11,115	(491)	1,123	11,747	12	11,760

(Notes) 1. Adjustments to segment profit (loss) reflect unrealized profits on intersegment transactions.

2. Segment profit (loss) adjustment reflected in operating income on the quarterly consolidated statement of income.

2. Information related to impairment of fixed assets, goodwill, etc. by reportable segment

Material impairment of fixed assets

The company recognized impairment losses in the Japan segment for asset groups which have experienced a significant decline in profitability and asset groups which the company does not deem recoverable. The company recorded ¥3,545 million in impairment loss for the cumulative consolidated second quarter.

Goodwill did not change materially during the period under review.

II. Six months ended August 21, 2021

1. Information on operating revenue and profit (loss) of each reporting segment

(Million yen)

	Japan	China	ASEAN	Total	Adjustments (Note 1)	Amount to quarterly consolidated statements of income (Note 2)
Operating revenue						
Operating revenue from external customers	125,771	20,964	7,364	154,101	—	154,101
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	125,771	20,964	7,364	154,101	—	154,101
Segment profit	14,886	4,192	594	19,672	12	19,684

(Notes) 1. Adjustment to segment profit is adjustment to unrealized gains in intersegment transactions.

2. Segment profit has been adjusted to operating income on the quarterly consolidated statement of income.

2. Information related to impairment of fixed assets, goodwill, etc. by reportable segment

Material impairment of fixed assets

The Company recognized impairment losses in the Japan segment for asset groups for which changes have occurred causing a significant decline in expected recoverable value. The company recorded ¥78 million in impairment loss for the cumulative consolidated second quarter.

Goodwill did not change materially during the period under review.

Significant subsequent events

Not applicable.